

**IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 16, 2017**

The Iowa Racing and Gaming Commission (IRGC) met at the Diamond Jo, LLC (DJ) in Dubuque on Thursday, November 16, 2017. Commission members present were Rich Arnold, Chair; Kris Kramer, Vice Chair; and members Carl Heinrich, Jeff Lamberti and Dolores Mertz.

APPROVE AGENDA: Chair Arnold called the meeting to order at 8:30 AM. He requested a motion to approve the agenda, noting that Agenda Item 6G(1) had been withdrawn. Commissioner Lamberti moved to approve the agenda as amended. Commissioner Kramer seconded the motion, which carried unanimously.

WELCOME: Wendy Runde, General Manager at DJ, welcomed the Commission back to Dubuque. She introduced members of the Dubuque Racing Association, Ltd. (DRA) who were in attendance. Ms. Runde noted the Commission had approved a \$2 million investment for the property; the renovated area has been open for two months. She stated DRA, management and staff are proud of the property. Ms. Runde introduced Mayor Roy Boul.

Mayor Boul welcomed everyone to Dubuque. He stated gaming has been good to Dubuque and helped transform the city from a blue-collar community to a white-collar community and increase tourism; the casinos draw approximately 1.8 million visitors per year. Gaming has had an economic impact of over \$97 million. Mayor Boul addressed some of the challenges facing the gaming industry in the state.

APPROVE MINUTES: Chair Arnold moved to the approval of the minutes from September 26 and October 11-12, 2017. Commissioner Mertz moved to approve the minutes as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

ANNOUNCEMENTS: Chair Arnold called on Brian Ohorilko, Administrator of IRGC, for announcements. Mr. Ohorilko advised there would be no meeting in December; and the first two meetings of 2018 will be on January 4th and March 6th. Both meetings will be held at Prairie Meadows Racetrack and Casino (PMR&C) in Altoona. Submissions for the January meeting are due in the Commission office by December 19, 2017.

Mr. Ohorilko recognized the following IRGC staff members assigned to the Dubuque facilities: Gaming Representatives at Q Casino: Joe Gau and Tracy Potter; Licensing Assistants at Q Casino: Cathy Dillon and Cheryl Vetsch; and Gaming Representative at DJ: Scott Franke.

REQUEST FOR FINANCING: Chair Arnold called on Eldorado Resorts, Inc. regarding their request for approval of shelf financing pursuant to Iowa Admin. Code 491-5.4(20). Doug Gross, legal counsel, noted the Commission previously approved a \$2.3 billion shelf application for approval of debt financing in connection with the merger of Eldorado and Isle of Capri Casinos, Inc. He stated Eldorado is requesting Commission approval to incur additional debt from time to time under their existing previously approved undrawn revolving line of credit in the principal

amount of up to \$300 million. Mr. Gross stated that if this application is approved, the total of all Eldorado debt financing approved by the Commission would be \$2.6 billion. He advised Eldorado would notify Mr. Ohorilko of the above-described debt transactions within ten days of consummation.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Kramer moved to approve Eldorado's request for approval of shelf financing pursuant to Iowa Admin. Code 491-5.4(20) as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

CONTRACT APPROVALS: Chair Arnold moved to the contract approvals and called on DRA. Bill Eichhorn, Chief Financial Officer, presented a contract with William Morris Endeavor Entertainment, LLC (OSV) as an entertainment-artist booking agency.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contract as submitted by DRA. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on DJ, LLC. Ms. Runde presented the following contracts for Commission approval:

- Aramark Uniform & Career Apparel – Dry cleaning, Rental of Linens, and BOH Uniforms
- Giese Sheet Metal Co., Inc. – HVAC

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contracts as submitted by DJ. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Rhythm City Casino, LLC (RC). Mo Hyder, General Manager, presented the following contracts for Commission approval:

- Kramer's Technical Services, Inc. – Porte Cochere Destruction
- Lane & Waterman LLP – Legal Services
- TPI (The Printer, Inc.) – Direct Mail Advertising
- US Postmaster – Postage for Mailers
- Wells Fargo Business Elite Card – Credit Card Purchases

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contracts as submitted by RC. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Arnold called on Grand Falls Casino Resort, LLC (GFCR). Sharon Haselhoff, General Manager, presented the following contracts for Commission approval:

- Core-Mark – Retail and Tobacco Purchases
- Doll Distributing – Beverage Purchases
- Johnson Brothers – Beverage Purchases
- King Food Service – Food Purchases
- MedOne Healthcare Systems – Health Plan Costs
- The Printer, Inc. – Direct Mail Marketing – Printing and Postage
- Turfwerks – Golf Equipment Purchase
- Wells Fargo Business Elite Card – Credit Card Purchases
- Zurich Insurance – Workman's Compensation and Property Liability Insurance

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contracts as submitted by GFCR. Commissioner Lamberti seconded the motion, which carried unanimously.

Chair Arnold called on Riverside Casino & Golf Resort, LLC (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Hawkeye Sports Properties, LLC – Marketing and Sponsorship Agreement
- Honkamp Krueger & Co., P.C. – CPA Professional Services
- Mercy Iowa City – Medical Health Plan Costs
- UMR (A United Healthcare Company) – Medical & Flexible Spending Plan
- Top Golf USA, Inc. – Letter of Intent to Execute Concession Agreement (OSV)
- Gitchi Gaming, Inc. – Gaming Chair Purchase (OSV)
- Iowa Audio Video – New Sound System

Mr. Franz addressed the contract with Top Golf USA, noting they are in the middle of an extensive remodel of the property. This piece of the remodel will change the landscape of the gaming floor. He advised there are only three Top Golf Swing Suites in the country at this time: Houston, Atlanta and Detroit. Mr. Franz stated these suites will bring a new, innovative piece to the casino property.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contracts as submitted by RCGR. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on SCE Partners, LLC (SCE). Kevin Sweet, Interim General Manager, presented the following contracts for Commission approval:

- AJR Equities, Inc. – Promotional Items
- Concept 3, LLC – Promotional Items (OSV)
- Coffee King, Inc. d/b/a Caturra Coffee Roasting – Beverages & Supplies
- Johnson Brothers of Iowa, Inc. – Wine/Beverages
- KTIV Television, Inc. – Advertising
- William Morris Endeavor Entertainment, LLC (WME) – Talent Agent (OSV)

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by SCE. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on Catfish Bend Casinos II, LLC (CBC). Rob Higgins, General Manager, presented a contract with Arthur J. Gallagher & Co. for various lines of insurance, including workers comp, property and cyber, etc. for Commission approval.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contract as submitted by CBC. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Ameristar Casino Council Bluffs, LLC (Ameristar). Paul Czak, General Manager, presented a contract with Direct TV to provide direct broadcast satellite television for Commission approval.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Heinrich moved to approve the contract as submitted by Ameristar. Commissioner Mertz seconded the motion, which carried unanimously.

PRAIRIE MEADOWS RACETRACK & CASINO, INC. D/B/A PRAIRIE MEADOWS RACETRACK & CASINO

Chair Arnold called on PMR&C. Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to address the agenda items.

Mr. Heldt advised the recently completed quarter horse meet was a solid race meet. He indicated handle for both on and off-track was up by double digits due to TVG carrying more of their races on TV and a new bet, the Jackpot Pick 5, which also increased handle on and off-track. Mr. Heldt stated field size was down slightly; in 2016 field size averaged 7.7 per race, this year it was 7.4. He noted there were three factors that attributed to the decline: 11 more scratches in races, two trainers were suspended and couldn't race their horses during the latter half of the racing season, and they ran a couple of 870 yard races, which is the longest distance a quarter horse can run. Only 8 horses are allowed to run in those races.

With regard to the racing surface, Mr. Heldt advised there were 2 catastrophic injuries during the racing season; the industry standard is usually 1 per 1,000 starts. PMRC's rate was 1.2, well within the industry standards. They continue to send the track superintendent to an annual conference to stay on the cutting edge of advances to provide the best racing surface for the horses and jockeys.

Mr. Heldt stated PMR&C hosted the Bank of America Challenge Races on the last day of racing, October 14th. There were five championship races; two were won by local Iowa horses. Mr. Heldt advised the biggest race of the night, a 440-yard Grade 1 race with a \$330,000 purse, was won by Fiscal Cliff owned by Tom Lepic, the President of the Iowa Quarter Horse Racing

Association. He noted Fiscal Cliff was running against some of the best horses in the country. The win speaks to the quality of horses the quarter horse industry is raising in the state of Iowa. Fiscal Cliff will run on December 16th at Los Alamitos in the Champion of Champions race with a \$750,000 purse.

Commissioner Mertz asked how Mr. Heldt would rate their overall season. Mr. Heldt stated that hosting the Challenge Championship helped the quality of horses that were on track.

Chair Arnold moved to the approval of the 45-day plan. Mr. Heldt advised the submission did not include the agreements with the thoroughbreds and quarter horses. He indicated they would be available at the January meeting.

Hearing no comments or questions, Commissioner Lamberti moved to approve PMR&C's 45-day plan for the 2018 Thoroughbred and Quarter Horse seasons with the following stipulations:

- The immediate written notification of any changes in racing official positions,
- The completion of any necessary IRGC licensing and DCI background checks of officials, and
- Purse supplements for Iowa bred will be submitted for approval at the January 2018 Commission meeting.

Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold moved to the contracts. Mr. Palmer submitted the following contracts for Commission approval:

- American Teletimer – LED Sports/News Ticker & Possible Video Board for Casino (OSV)
- Associated Computer Services (ACS) – Cisco Wireless Equipment
- Blackbaud Inc. – Grants Software Subscription and Training (OSV)
- Conference Technologies, Inc. – Possible Supplier for Video Board in Casino
- Shive-Hattery, Inc. – Engineering Services
- Super Color Digital – Slot Machine Signage (OSV)

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contracts as submitted by PMR&C. Commissioner Kramer seconded the motion, which carried unanimously.

PUBLIC COMMENT/ADMINISTRATIVE BUSINESS

As there was no public comment, Chair Arnold moved to Administrative Business and called on Mr. Ohorilko. He advised the Commission is creating a task force to look at best practices related to self-exclusion regulations in an effort to reduce the number of incidents involving patrons on the state-wide self-exclusion list from receiving marketing materials, players club cards or otherwise participating in gambling activities. He stated Commission staff would be

reaching out to the industry in the coming weeks. Mr. Ohorilko stated the plan is to review the current industry controls, review some of the prior violations, and review current auditing practices with the ultimate goal of coming up with a document of best practices or recommendations that could be disseminated to all of the facilities.

Commissioner Mertz indicated she felt this was a good idea for the industry and encouraged them to work with Mr. Ohorilko and Commission staff.

Chair Arnold moved to the appointment of the IRGC administrator, and requested a motion to reappoint Mr. Ohorilko as the administrator to another four-year term. Commissioner Lamberti moved to reappoint Mr. Ohorilko as the administrator. Commissioner Heinrich seconded the motion, which carried unanimously.

LINN COUNTY LICENSE DECISION

Chair Arnold stated each Commissioner would comment on their position and how they arrived at that position. He called on Commissioner Mertz.

Commissioner Mertz thanked everyone who wrote or called, indicating she appreciated all of the input. She stated she supported all three applications, noting that each one has its own merit. She stated she had not had any correspondence or communication with the Governor's Office, nor has she had any undue pressure from either of the applicants. Commissioner Mertz noted she was the only one to vote in favor of a license when Cedar Crossing had an application before the Commission in 2014 as she felt the second largest city in the state deserves something and still feels that way. She stated she believes the Commission is charged with looking out for the benefit and welfare of the state. After reviewing the market studies, she feels Cedar Crossing on the River would benefit the state more than the smaller casinos and cause less damage to the existing casinos. She stated the Commission needs to look long and hard at the industry and do what is best for the state.

Commissioner Lamberti commented on the process, and thanked the applicants and everyone working with them; noting the Commission is cognizant of all the hard work, time and money that go into the application process. He stated he found everyone to be very respectful of the Commissioners' time and the application process. Commissioner Lamberti stated whether it's this decision or previous decisions, there is no political process behind the scenes; he has not had any contact from the Governor or the Governor's staff. He stated the Commissioners make their decisions on their own; there are numerous factors on both sides to be considered. He noted the Commissioners have an open door policy; anyone can write to them or see them up until the last minute, and feels it is a healthy process that allows the Commissioners to receive as much information as they can during the process in order to arrive at what each of them believes is the right decision. Commissioner Lamberti noted that lots of people would like to believe "the fix is in" or think they know how the Commission is going to vote. He stated he only made his decision a couple of days ago so finds those comments interesting. He stated the Commissioners take their job seriously and do agonize over these decisions.

Commissioner Lamberti stated the decision today is more difficult than three years ago; some things have changed. He stated all three proposals were great, and tried to take into account the criteria set forth in the rules. He stated there are great arguments on both sides of the process. Commissioner Lamberti stated one of the major factors he considered is the impact on existing facilities and not just the impact on the operator, but the people that will be impacted as well. On the other hand, these proposals would have a significant impact on the Cedar Rapids community. Commissioner Lamberti stated the overriding factor in his decision is that he does not see much of a change; there is no growth in the market, it has been relatively stagnant, nor does he see anything that leads him to believe there will be a period of significant growth in the industry. Having said that, he believes there is potential to move in the opposite direction where the industry will see additional stagnation if they don't take advantage of new opportunities that may be available for the market, but doesn't believe those things are before the Commission at this time. Commissioner Lamberti stated he believes consistency in the decision making of the Commission is important; it is difficult because Iowa law allows them to arrive at their own conclusions. They are allowed to interpret the criteria individually. After taking the criteria into consideration, as well as consistency, Commissioner Lamberti stated he is unable to support any of the applications at this time.

Chair Arnold thanked all of the applicants and stakeholders associated with the process. He stated the meetings he has had and the letters received regarding the applications were appreciated, but did not make his decision any easier. He noted he did not make his decision until Tuesday morning. Chair Arnold stated he had not been contacted by the Governor or anyone on her staff. He stated he spent considerable time going over the materials sent by the applicants and reviewed the market studies. The Commission visited the sites, and received public comment. He met with various individuals, both in support and against, the proposals. Chair Arnold noted the two operators for the three proposals have a great track record in Iowa and he has no concerns over their integrity or ability to safely and efficiently operate a facility and provide opportunities for Iowa vendors to partner in their operations. He stated all of the proposals seem to have community support, although different facets may support one proposal over another. The economic impact of the three proposals as reported by the studies continues to cause him some pause. The WhiteSand study seemed to be an outlier to him as the results were not consistent with anything seen in previous studies or any studies from the opponents of the applications. Therefore, he looked closely at the results of the Marquette study as they have produced accurate results for the Commission in the past. Chair Arnold noted all three proposals show revenue between 45% - 56% attributed to customers at existing Iowa properties, with one facility being impacted more, between 20-25%, while the other existing facilities would experience a smaller impact. Keeping this in mind, Chair Arnold stated he tried to keep an open mind and determine if anything was different in his view from the last time he went through the process. The larger proposal is similar to the proposal before the Commission previously; it generates the most revenue for the state but also takes the most money from the existing operators. Additionally, after visiting the sites, he is concerned it may have a negative impact on some of the local businesses in the area, and at a minimum, that it won't compliment the downtown corridor in a way the other proposals will. If this was a different time, specifically prior to some of the other properties being built, it might make the most sense. Chair Arnold noted the two smaller properties create some challenges in how best to evaluate if the proposal

would have merit. The Wild Rose proposal, albeit with a quality operator and good people associated with the project, does not seem to add much to the community other than the gambling games. It still has the challenges of market impact and generates less revenue to the state than the larger property. He stated he does not believe the pros of this proposal outweigh the concerns he has with the economic impact. Chair Arnold stated the smaller Cedar Rapids Development project, Cedar Crossing 2.0, presents some unique factors, but faces some of the same challenges as the others in terms of impact on existing operators. He stated this proposal brings something extra that appears to be unmatched by any of the other proposals. When figuring in the amount of investment, \$106 million, to the per game gambling device, that would be more than any other project in Iowa and almost twice that of many facilities. The project seems to be the perfect fit to compliment downtown Cedar Rapids and adds tremendous value to the community by replacing the parking garage; guaranteeing shows for an under-utilized event center; assisting with filling rooms in the community-owned hotel, and compliments the businesses and restaurants in the downtown area. Chair Arnold stated he is cognizant of the fact the facility would have an economic impact on existing operators; however, he feels the level of financial and other support the facility would provide to the community and the state outweigh the concerns he has with the overall market impact. Chair Arnold stated he would support Cedar Crossing 2.0, and emphasized his support is not an invitation for smaller sized casinos or more casinos. He stated the facility is unique in his mind because it will bring in over \$100 million in investment into the community and the state without increasing the overall number of gambling devices by a material amount.

Commissioner Heinrich commenced his comments by noting all of them have had access to the same studies, those contained in the proposals and commissioned by the Commission. All are aware of the criteria established for granting a license, and look at them differently. He noted that he has received many letters over the course of his career, stating that most were not significant as they were written because someone told the individual to write the letter; that many were boiler plate letters; however, the letters he received during this process were unique and sincere and very important to him during this process. Commissioner Heinrich stated the industry has plateaued; there has been a small decline over the past few years. The existing operators have made an effort to continue reinvesting in the facilities to keep them attractive in order to draw people in, which has prevented a significant drop in revenues. He stated it is important that he make decisions that would allow that process to continue and would not want to make any decision that would destroy them. He indicated it is important for the Commission to look at what their decision will do in terms of affecting the state, but also need to be responsible to the current operators and help them be successful. Commissioner Heinrich stated he is not sure adding a new license will help the state, that it would only shift resources from a rural area. He feels a new license would have a significant impact on the rural area and just shifts revenues; now is not the time to change the dynamics of what is working well at this time. Commissioner Heinrich stated he is not in favor of a new license.

Commissioner Kramer stated this has been one of the most difficult decisions she has had to make, and wants to make the best decision for the gaming industry and Iowa. She noted she had received many letters and e-mails, both for and against; and spent many hours reading them, reviewing the proposals and the market studies. She stated she can see voting either way.

Commissioner Kramer stated the proposals were put together with a high degree of excellence and she can see the positive things that could happen for Linn County. She stated she is definitely not against growth, but questioned what has changed since 2014; where is the growth in gaming across the state of Iowa. She wondered if she is to disregard the market studies completely even though they weren't perfect. She noted the fact remains that the gaming industry in Iowa has seen little or no growth. Commissioner Kramer stated competition is the American way of life – in business, sports, schools and casinos; but in Iowa, gaming is a regulated industry. When a license is granted, the licensee is encouraged to build a destination location with many amenities besides gaming, thus spending millions of dollars on one facility. She questioned whether it was right for the Commission to turn their back after demanding the facilities spend millions of dollars to keep their properties fresh and operate as first class resorts. Commissioner Kramer agreed that Cedar Rapids has been through a lot, and sees the energy of its citizens to rebuild after the devastating flood and the community growing in many ways. She noted that while Cedar Rapids is the state's second largest city; they were also the second largest city when they defeated a gambling referendum. While she is cognizant of what any one of the casinos could do for Cedar Rapids, she wondered at what cost outside of Cedar Rapids. She has heard the comment that while the neighboring casinos would feel the effect if Cedar Rapids is granted a license, they would bounce back. She stated she disagrees with that statement. The economic effect would hurt the casinos and trickle down to the people of rural Iowa; she does not feel the jobs lost would be replaced. The income for the non-profits would be substantially decreased, which in turn would devastate some rural communities that rely on it. She stated rural Iowa does not have all the advantages that the larger cities have. Commissioner Kramer stated that she could not approve a license at this time.

Hearing no further comments, Chair Arnold called for a motion. Commissioner Lamberti moved to deny the two license applications from Linn County Gaming Association, Inc./Cedar Rapids Development Group, LLC and the license application from Cedar River Alliance for Gaming/Wild Rose Cedar Rapids, LLC before the Commission for consideration without prejudice. Commissioner Heinrich seconded the motion.

Chair Arnold requested a roll call vote. The motion carried on a 3-2 vote, with Chair Arnold and Commissioner Mertz voting no.

As there was no further business to come before the Commission, Chair Arnold requested a motion to adjourn. Commissioner Lamberti so moved. Commissioner Kramer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK